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CHARTER TOWNSHIP OF BANGOR
DOWNTOWN DEVELOPMENT AUTHORITY
BAY COUNTY, MICHIGAN

FINANCIAL STATEMENTS
DECEMBER 31, 2004

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RSM McGladrey Network

An Independently Owned Member

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Charter Township of Bangor DDA	County Bay
Audit Date 12/31/04	Opinion Date 3/18/05	Date Accountant Report Submitted to State: 6/10/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

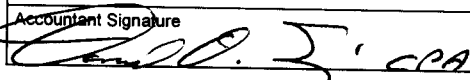
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Weinlander Fitzhugh			
Street Address 1600 Center Avenue		City Bay City	State MI
Accountant Signature 		ZIP 48708	Date 6/10/05

INDEX

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
BALANCE SHEET	2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND	4
NOTES TO FINANCIAL STATEMENTS	5-8



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INDEPENDENT AUDITORS' REPORT

March 18, 2005

Members of the Authority Board
Charter Township of Bangor Downtown
Development Authority
Bay County, Michigan

We have audited the accompanying financial statements of the special revenue and debt service funds of the Charter Township of Bangor Downtown Development Authority, Bay County, Michigan, a component unit of the Charter Township of Bangor, as of and for the year ended December 31, 2004, as listed in the index. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the special revenue and debt service funds and do not purport to, and do not, present fairly the financial position of the Charter Township of Bangor Downtown Development Authority, Bay County, Michigan, as of December 31, 2004, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the special revenue and debt service funds of the Charter Township of Bangor Downtown Development Authority, Bay County, Michigan as of December 31, 2004, and the changes of financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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CHARTER TOWNSHIP OF BANGOR
DOWNTOWN DEVELOPMENT AUTHORITY

Balance Sheet
December 31, 2004

	Special Revenue Fund	Debt Service Fund	Totals (Memorandum Only)
<u>ASSETS</u>			
Cash and investments	\$ 12,981	\$ 389,282	\$ 402,263
Taxes receivable	0	327,753	327,753
Due from Current Tax Fund	0	39,886	39,886
Total Assets	<u>\$ 12,981</u>	<u>\$ 756,921</u>	<u>\$ 769,902</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>Liabilities</u>			
Accounts payable	\$ 1,462	\$ 0	\$ 1,462
Deferred revenue	0	367,639	367,639
Due to General Fund	0	34	34
Total liabilities	<u>1,462</u>	<u>367,673</u>	<u>369,135</u>
<u>Fund Balance</u>			
Reserved	<u>11,519</u>	<u>389,248</u>	<u>400,767</u>
Total Liabilities and Fund Balance	<u>\$ 12,981</u>	<u>\$ 756,921</u>	<u>\$ 769,902</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BANGOR
DOWNTOWN DEVELOPMENT AUTHORITY
Statement of Revenues, Expenditures and Changes in
Fund Balance
For the Year Ended December 31, 2004

	Special Revenue Fund	Debt Service Fund	Totals (Memorandum Only)
<u>Revenues</u>			
Taxes	\$ 0	\$ 410,077	\$ 410,077
Interest	103	3,732	3,835
Total revenues	<u>103</u>	<u>413,809</u>	<u>413,912</u>
<u>Expenditures</u>			
Fees per diem and other administrative expenditures	3,559	0	3,559
Legal and other professional fees	8,714	0	8,714
Contractual services and other	0	87,534	87,534
Debt service	0	138,150	138,150
Total expenditures	<u>12,273</u>	<u>225,684</u>	<u>237,957</u>
Excess (deficiency) of revenues over expenditures	<u>(12,170)</u>	<u>188,125</u>	<u>175,955</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	15,000	0	15,000
Transfers out	0	(15,000)	(15,000)
Total other financing sources (uses)	<u>15,000</u>	<u>(15,000)</u>	<u>0</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>2,830</u>	<u>173,125</u>	<u>175,955</u>
Fund Balance - January 1, 2004	<u>8,689</u>	<u>216,123</u>	<u>224,812</u>
Fund Balance - December 31, 2004	<u>\$ 11,519</u>	<u>\$ 389,248</u>	<u>\$ 400,767</u>

See accompanying notes to financial statements.

CHARTER TOWNSHIP OF BANGOR
 DOWNTOWN DEVELOPMENT AUTHORITY
 Statement of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual -
 Special Revenue Fund
For the Year Ended December 31, 2004

	<u>Special Revenue Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenues</u>			
Interest	\$ 100	\$ 103	\$ 3
<u>Expenditures</u>			
Fees per diem and other administrative expenditures	4,200	3,559	641
Legal and other professional fees	9,705	8,714	991
Contractual services and other	10,000	0	10,000
Total expenditures	<u>23,905</u>	<u>12,273</u>	<u>11,632</u>
Excess (deficiency) of revenues over expenditures	<u>(23,805)</u>	<u>(12,170)</u>	<u>11,635</u>
<u>Other Financing Sources</u>			
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(8,805)</u>	<u>2,830</u>	<u>11,635</u>
Fund Balance - January 1, 2004	<u>8,689</u>	<u>8,689</u>	<u>0</u>
Fund Balance - December 31, 2004	<u>\$ (116)</u>	<u>\$ 11,519</u>	<u>\$ 11,635</u>

See accompanying notes to financial statements.

**CHARTER TOWNSHIP OF BANGOR
DOWNTOWN DEVELOPMENT AUTHORITY**
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Authority's Operations

The Charter Township of Bangor Downtown Development Authority (Authority) is a component unit of the Charter Township of Bangor and operates under the supervision and control of a Board consisting of the Chief Executive Officer of the Charter Township of Bangor and eight (8) members as provided by Act 197. The Authority was established to correct and prevent urban deterioration and encourage economic development.

B. Basis of Presentation

The financial activities of the Authority are recorded in separate funds and account groups, categorized and described as follows:

Special Revenue Fund - This fund is used to account for the specific revenue sources (other than special assessments) that require separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund - This fund is used to account for the funding and payment of principal and interest of Downtown Development Bonds.

C. Basis of Accounting

All governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

1. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls.

CHARTER TOWNSHIP OF BANGOR
DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
3. Normally, expenditures are not divided between years by the recording of prepaid expenses.

D. Other

The budgets of the Authority are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted to the functional level.

On or before September 1, each Township department head submits to the supervisor an itemized estimate of the anticipated expenditures of the Township for the next fiscal year for the Township activities under his or her charge. In the case of the Authority, the Treasurer submits such estimates. The supervisor shall prepare a complete itemized budget proposal for the next fiscal year and submit it to the Township Board no later than October 1. A public hearing on the budget is to be held before its final adoption, at such time and place as the Township Board directs, and notice of such public hearing is to be published at least one week in advance by the Township Clerk. A copy of the proposed budget shall be on file and available to the public for inspection during office hours at the office of the Township Clerk for a period of not less than one week prior to such public hearing. Then no later than the first regularly scheduled meeting in November, the Township Board and the Authority Board shall by resolution, adopt the budget for the next fiscal year and shall, in that resolution, make an appropriation of money needed for Authority purposes during the ensuing fiscal year of the Township.

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

The Authority has adopted a formal investment policy consistent with that authorized by Michigan Law. The Authority has generally invested in time certificates and the amount covered by the FDIC with regards to certificates of deposit was \$100,000. The carrying value of the investments approximates market value.

Cash

Deposits - At December 31, 2004, the carrying amount of the Authority's deposits (checking accounts, savings, certificates of deposit, etc.) was \$402,263 with a corresponding bank balance of \$402,263. The amount covered by the FDIC was \$114,205.

CHARTER TOWNSHIP OF BANGOR
DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 3 - LONG-TERM DEBT

	Debt Payable January 1, <u>2004</u>	Debt <u>Issued</u>	<u>Retired</u>	Debt Payable December 31, <u>2004</u>
Downtown Development Authority Tax Increment Revenue Bonds Series 1998	\$ 75,000	\$ 0	\$ 75,000	\$ 0
Michigan Municipal Bond Authority Local Governmental Loan Program Revenue Bonds Series 1997B	<u>601,875</u>	<u>0</u>	<u>31,250</u>	<u>570,625</u>
Totals	<u>\$ 676,875</u>	<u>\$ 0</u>	<u>\$ 106,250</u>	<u>\$ 570,625</u>

CHARTER TOWNSHIP OF BANGOR
DOWNTOWN DEVELOPMENT AUTHORITY
Notes to Financial Statements
For the Year Ended December 31, 2004

NOTE 3 - LONG-TERM DEBT (CONTINUED)

Intergovernmental Development Agreement

On August 13, 1997, the County of Bay and the Downtown Development Authority of the Charter Township of Bangor (DDA) entered into an intergovernmental development agreement for the Bay County Multi Use Building, located within Bangor Township's DDA District Area. According to the agreement, the DDA will finance those portions of the Project consisting of the acquisition of the site and the costs of wetland mitigation or environmental cleanup of the Site. In addition, the DDA will finance other site improvements necessary for the completion and operation of the commercial building including infrastructure, public and fire protection safety improvements and lighting of the public parking lot and other public exterior areas of the Project. The County shall finance the costs of the entire Project from the proceeds of bonds (the "County Bonds") issued on or behalf of the County, together with funds on hand obtained by the County from donations or other sources available to the County. To finance the DDA portion of the project, the DDA has agreed to reimburse the County for its proportionate share of the Project to a maximum of \$750,000. The County will structure the DDA's reimbursement obligation for the DDA portion such that the principal and interest payments due by the DDA shall not exceed \$65,000 annually. The principal portion of the DDA's reimbursement obligation will be due to the County on May 1 of each year according to the following schedule and bear interest at rates ranging from 4.55% to 8.0% semiannually.

<u>Installment Number</u>	<u>Principal Due</u>	<u>Amount</u>
8	2005	\$ 32,500
9	2006	33,750
10	2007	35,625
11	2008	36,875
12	2009	38,750
13	2010	40,625
14	2011	43,125
15	2012	45,000
16	2013	47,500
17	2014	50,000
18	2015	52,500
19	2016	55,625
20	2017	58,750
		<hr/> <u>\$ 570,625</u>